

**Freedom Source, Inc.  
DBA Addiction Prevention Coalition  
(A Nonprofit Corporation)**

**Birmingham, Alabama**

**Financial Statements**

**September 30, 2019**

Freedom Source, Inc.  
DBA Addiction Prevention Coalition  
Table of Contents  
September 30, 2019

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Independent Auditor's Report	Pages 1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12



## **Independent Auditor's Report**

Board of Directors  
Freedom Source Inc. DBA Addiction Prevention Coalition  
Birmingham, Alabama

We have audited the accompanying financial statements of Freedom Source Inc. DBA Addiction Prevention Coalition (a nonprofit corporation), which comprise the statement of financial position as of September 30, 2019, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Freedom Source Inc. DBA Addiction Prevention Coalition as of September 30, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

KASSOUF & CO., P. C.

A handwritten signature in black ink that reads "Kassouf & Co." in a cursive, professional script.

Certified Public Accountants

July 1, 2020

**Freedom Source, Inc.**  
**DBA Addiction Prevention Coalition**  
**Statement of Financial Position**  
**September 30, 2019**

**Assets**

<b>Current Assets</b>	
Cash and cash equivalents	\$ 54,385
Accounts receivable	5,000
Prepaid expenses	<u>807</u>
Total Current Assets	<u>60,192</u>
<b>Property and Equipment, Net</b>	<u>7,949</u>
Total Assets	<u><u>68,141</u></u>

**Liabilities and Net Assets**

<b>Current Liabilities</b>	
Accounts payable	8,505
Accrued liabilities	<u>6,936</u>
Total Current Liabilities	<u>15,441</u>
<b>Net Assets</b>	
Without donor restrictions	<u>52,700</u>
Total Net Assets	<u>52,700</u>
Total Liabilities and Net Assets	<u><u>\$ 68,141</u></u>

See accompanying notes to financial statements.

**Freedom Source, Inc.**  
**DBA Addiction Prevention Coalition**  
**Statement of Activities**  
**For the Year Ended September 30, 2019**

**Changes in net assets without donor restrictions:**

Revenue and Support	
Contributions	\$ 271,166
Earned revenue	13,790
Government grants	125,000
Non-government grants	9,050
Total revenues and support without donor restrictions	419,006
Expenses	
Program	406,607
General and administrative	107,402
Total expenses	514,009
<b>Other Income (Expense)</b>	
Gain on disposal of assets	2,193
Decrease in net assets without donor restrictions	(92,810)
Net assets without donor restrictions - beginning of year	145,510
Net assets without donor restrictions - end of year	\$ 52,700

See accompanying notes to financial statements.

**Freedom Source, Inc.**  
**DBA Addiction Prevention Coalition**  
**Statement of Functional Expenses**  
**For the Year Ended September 30, 2019**

<b>Program Services</b>							
	<b>Prevention</b>	<b>Student Programs</b>	<b>Community Awareness</b>	<b>Development/ Connection</b>	<b>Total Program</b>	<b>Administrative</b>	<b>Total</b>
Advertising	\$ -	\$ -	\$ 12,573	\$ -	\$ 12,573	\$ -	\$ 12,573
Bank fees	-	-	-	-	-	5,200	5,200
Books, publications, references	-	211	-	-	211	-	211
Business expenses	-	-	-	600	600	-	600
Charitable contributions	-	-	-	158	158	-	158
Conferences	-	550	436	-	986	2,146	3,132
Corporate fundraiser	-	-	5,544	-	5,544	-	5,544
Curriculum	1,875	1,705	-	-	3,580	-	3,580
Depreciation	146	219	333	135	833	208	1,041
Employee benefits	412	617	941	382	2,352	588	2,940
End Heroin Walk	-	14	24,105	17	24,136	89	24,225
Evaluation	25,169	-	-	-	25,169	-	25,169
Gifts	87	36	100	-	223	1,496	1,719
Insurance	-	-	-	-	-	5,161	5,161
Licenses	-	-	-	-	-	200	200
Membership dues	1,500	-	-	-	1,500	680	2,180
Office supplies	246	85	182	60	573	908	1,481
Payroll expenses	-	-	-	-	-	10,275	10,275
Payroll taxes	2,573	3,859	5,881	2,389	14,702	3,676	18,378
Postage, shipping, and printing	209	6	250	-	465	3,399	3,864
Professional services	-	-	32,675	30,000	62,675	14,413	77,088
Rent	2,602	3,903	5,948	2,416	14,869	3,717	18,586
Salaries and wages	31,441	47,162	71,866	29,196	179,665	44,916	224,581
Scholarships	1,485	7,414	-	-	8,899	-	8,899
Staff development	100	-	-	-	100	799	899
Student activity	-	707	-	-	707	-	707
Student meals	-	4,183	72	-	4,255	-	4,255
Student supplies	576	8,572	-	-	9,148	166	9,314
Student transportation	-	2,114	-	-	2,114	-	2,114
Technology	-	-	536	-	536	4,607	5,143
Telephone	371	557	848	345	2,121	530	2,651
Training/facilitation	26	15,189	-	-	15,215	-	15,215
Travel	2,102	9,881	101	278	12,362	4,228	16,590
YAC meetings	-	336	-	-	336	-	336
<b>Total expenses</b>	<b>\$ 70,920</b>	<b>\$ 107,320</b>	<b>\$ 162,391</b>	<b>\$ 65,976</b>	<b>\$ 406,607</b>	<b>\$ 107,402</b>	<b>\$ 514,009</b>

See accompanying notes to financial statements.

**Freedom Source, Inc.**  
**DBA Addiction Prevention Coalition**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2019**

**Cash Flows from Operating Activities**

Decrease in net assets	\$ (92,810)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:	
Depreciation	1,041
Loss on disposal of assets	(2,193)
(Increase) decrease in:	
Accounts receivable	(5,036)
Prepaid expenses	(807)
Increase (decrease) in:	
Accounts payable	5,798
Accrued liabilities	6,937
Total Adjustments	<u>5,740</u>
Net Cash Used In Operating Activities	<u>(87,070)</u>

**Cash Flows from Investing Activities**

Purchase of property and equipment	(4,679)
Net Cash Used In Investing Activities	<u>(4,679)</u>

Net decrease in cash and cash equivalents (91,749)

Cash and cash equivalents at beginning of year 146,134

Cash and cash equivalents at end of year \$ 54,385

See accompanying notes to financial statements.



**Freedom Source, Inc.**  
**DBA Addiction Prevention Coalition**  
**Notes to Financial Statements**  
**September 30, 2019**

Note 1. Summary of Significant Accounting Policies

Nature of Activities

Freedom Source Inc. DBA Addiction Prevention Coalition (the Organization) is an education and prevention organization dedicated to becoming the primary source of information and support for individuals and families in the community seeking freedom from substance abuse and addiction. Freedom Source's vision is to eliminate addiction in Central Alabama. The Organization exists to support and create effective, culture-changing community awareness and prevention programs through area churches, schools and employers; to foster a community conversation to encourage collaboration and deployment of the most effective assessment, treatment and long-term recovery techniques; and to be the catalyst in increasing capacity for treatment, both youth and adult, to dramatically reduce the social cost and impact of addiction.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal income taxes has been made in the accompanying financial statements.

Compensated Absences

Vacation and sick pay are considered expenditures in the year paid. Each staff member is required to use any unused vacation and sick time by the end of each fiscal year. The Organization has not accrued compensated absences as such amounts cannot be reasonably determined.

**Freedom Source, Inc.**  
**DBA Addiction Prevention Coalition**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

Note 1. Summary of Significant Accounting Policies – Continued

Classification of Net Assets

The Organization has two types of net assets: net assets without donor restrictions and net assets with donor restrictions. The net assets without donor restrictions includes assets available for unrestricted use including any assets that may be designated by the Board of Directors for a particular use. The net assets with donor restrictions consists of assets with donor stipulations that limit the use of the assets. When the restriction is satisfied, net assets with restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. As of September 30, 2019 the Organization had no net assets with donor restrictions.

Contributions and Grants

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. The Organization records donor restricted contributions as without donor restrictions when the restrictions are met in the same reporting period in which the contributions are recognized.

Grant revenue is reported as with donor restrictions if it is received with donor stipulations that limit the use of the donated assets. When a donor restriction expires or when a stipulated purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed Services

During the year ended September 30, 2019, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet criteria for recognition as contributed services.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

**Freedom Source, Inc.**  
**DBA Addiction Prevention Coalition**  
**Notes to Financial Statements - Continued**  
**September 30, 2019**

Note 1. Summary of Significant Accounting Policies - Continued

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash and temporary investments that have a maturity of three months or less from the original date of purchase. At time, cash deposits held with the bank may exceed the amount of insurance provided on such deposits.

Accounts Receivable

Accounts receivable relate to invoices where payments are not received before the end of the fiscal year. Accounts receivable are recorded at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account or against net assets. At September 30, 2019, the Organization had \$5,000 in accounts receivable. Accounts receivable at September 30, 2019 were deemed collectible by the Organization; therefore, no allowance was considered necessary.

Advertising

Advertising and promotion costs are expensed as incurred. For the year ended September 30, 2019, there were \$12,573 in advertising costs.

Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Donated items are stated at estimated realizable value at the date of receipt. Maintenance, repairs and minor renovations are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the related costs are removed from the respective accounts and any gain or loss on the disposition is recorded.

The Organization provides for depreciation of property and equipment to depreciate costs over estimated useful lives as follows:

Furniture, fixtures and equipment	5-7 years
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**Freedom Source, Inc.**  
**DBA Addiction Prevention Coalition**  
**Notes to Financial Statements - Continued**  
**September 30, 2019**

Note 1. Summary of Significant Accounting Policies - Continued

Recent Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the objective of improving not-for-profit entity (“NFP”) financial statements to better provide useful information to grantors, creditors, donors, and other financial statement user. The ASU, which amends the requirements for financial statements and notes in Accounting Standards Codification (“ASU”) Topic 958, Not-for-Profit Entities, changes how NFPs present net assets and changes in net assets in the financial statements, in addition to requiring additional disclosures for expenses by nature and function and for the liquidity and availability of resources.

The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Organizations’ financial statements:

The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.

The unrestricted net asset class has been renamed net assets without donor restrictions.

The financial statements include a new disclosure about liquidity and availability of resources (Note 6).

The financial statements include a Statement of Functional Expenses.

The financial statements include a new disclosure about the methods used for the allocation of expenses (Note 7).

The changes have the following effect on net assets at September 30, 2018:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 145,510	\$ -
Net assets without donor restrictions	-	145,510
Total net assets	<u>\$ 145,510</u>	<u>\$ 145,510</u>

**Freedom Source, Inc.**  
**DBA Addiction Prevention Coalition**  
**Notes to Financial Statements - Continued**  
**September 30, 2019**

Note 2. Property and Equipment

At September 30, 2019, property and equipment consisted of the following:

Furniture, fixtures, & equipment	\$	12,340
		12,340
Accumulated depreciation		(4,391)
Net property and equipment	\$	7,949

Depreciation expense was \$1,042 for the year ended September 30, 2019.

Note 3. Concentration of Revenue Sources

For the year ended September 30, 2019, approximately 30% of the Organization’s revenue were derived from a grant from Drug Free Communities Support Program. The current level of the Organization’s operations and program services may be impacted if the funding is not renewed.

Note 4. Summary of Grant Funding

Drug-Communities Support Program Grant – Department of Health and Human Services

The Organization received a Drug-Free Communities Support Program Grant from the Department of Health and Human Services in the amount of \$125,000 for the year ended September 30, 2019. The service period covered the period beginning September 30, 2018 and ending September 29, 2019. The goal of the grant is to (1) establish and strengthen collaboration among communities, public and private non-profit agencies, as well as federal, state, local, and tribal governments to support the efforts of community coalitions working to prevent and reduce substance abuse among youth and (2) reduce substance abuse among youth and, over time, reduce substance abuse among adults by addressing the factors in a community that increase the risk of substance abuse and promoting the factors that minimize the risk of substance abuse.

**Freedom Source, Inc.**  
**DBA Addiction Prevention Coalition**  
**Notes to Financial Statements - Continued**  
**September 30, 2019**

Note 5. Operating Leases

The Organization occupies space under a lease agreement with an expiration date of October 31, 2021. The expense incurred for these operating leases total approximately \$18,586 for the year ended September 30, 2019.

The future minimum annual lease payments as of are as follows:

Year ending September 30,	
2020	\$ 20,400
2021	<u>1,700</u>
	<u>\$ 22,100</u>

Note 6. Liquidity and Availability of Financial Assets

For the year ended September 30, 2019, the Organization has \$59,385 of financial assets consisting of cash of \$54,385 and accounts receivable of \$5,000 available within one year of the statement of financial position date to meet cash needs for general expenditures. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 7. Methods Used for the Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Organization. These expenses are allocated based on estimates of effort and time.

Note 8. Subsequent Events

The Organization has evaluated subsequent events through July 1, 2020, the date which the financial statements were available to be issued.

During this time, as a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen likely to impact the Organization's revenue. Other financial impact could occur though such potential impact is unknown at this time.